

**HOUSING AUTHORITY OF THE CITY OF SULPHUR**

**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT**

**DECEMBER 31, 2012**

HOUSING AUTHORITY OF THE CITY OF SULPHUR  
SULPHUR, LOUISIANA

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**HOUSING AUTHORITY OF SULPHUR, LOUISIANA**

**REQUIRED SUPPLEMENTAL INFORMATION**

**MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)**

**DECEMBER 31, 2012**

**The management of Public Housing Authority of Sulphur, Louisiana presents the following discussion and analysis (MD&A) of the Housing Authority's financial activities for the fiscal year ending December 31, 2012. This represents an overview of financial information. Please read this discussion and analysis in conjunction with the Authority's included audited financial statements.**

#### **FINANCIAL HIGHLIGHTS**

- The primary source of funding for these activities continues to be subsidies and grants from the Department of Housing and Urban Development (HUD), whereas tenant rentals provide a secondary but also significant source of funding.
- The Housing Authority's assets exceeded its liabilities by \$4,127,711 at the close of the fiscal year ended 2012.
  - ✓ Of this amount \$2,990,219 represents a restriction equal to the net amount invested in land, buildings, furnishings, leasehold improvements, equipment, and construction in progress, minus associated debts.
  - ✓ Also of this amount, \$7,993 of net assets are restricted for the Housing Choice Voucher program
  - ✓ The remainder of \$1,129,499 of unrestricted assets could be used to meet the Housing Authority's ongoing obligations to citizens and creditors. As a measure of financial strength, this amount equals 44% of the total operating expenses of \$2,545,857 for the fiscal year 2012, which means the Authority might be able to operate about 5 months using the unrestricted assets alone, compared to 6 months in the prior fiscal year.
- The Housing Authority's total net position decreased by \$329,661, a 7% decrease from the prior fiscal year 2012. This decrease is attributable to significant increases in Federal grants for both operations and capital improvements, described in more detail below.
- The decrease in net position of these funds was accompanied by a decrease in unrestricted cash by \$252,065 from fiscal year 2011, primarily due to spending \$211,650 more for operations than Federal funds received for operations; spending \$39,423 more for capital assets than Federal capital grants received; and transferring \$993 of excess cash into investments
- The Authority spent \$108,933 on capital asset additions and \$171,381 on construction in progress during the current fiscal year.
- These changes led to a decrease in total assets by \$311,691 and an increase in total liabilities by \$17,971. As related measure of financial health, there are still over \$12 of current assets covering each dollar of total current liabilities, which compares to \$16 covering the prior fiscal year's liabilities.
- The Housing Authority continues to operate without the need for debt borrowing.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This MD&A is intended to serve as an introduction to the Housing Authority's basic financial statements. The Housing Authority is a special-purpose government engaged in business-type activities. Accordingly, only fund financial statements are presented as the basic financial statements, comprised of two components: (1) fund financial statements and (2) a series of notes to the financial statements. These provide information about the activities of the Housing Authority as a whole and present a longer-term view of the Housing Authority's finances. This report also contains other supplemental information in addition to the basic financial statements themselves demonstrating how projects funded by HUD have been completed, and whether there are inadequacies in the Authority's internal controls.

#### **Reporting on the Housing Authority as a Whole**

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Housing Authority of Sulphur, Louisiana  
Management's Discussion and Analysis (MD&A)  
December 31, 2012

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One of the most important questions asked about the Authority's finances is, "Is the Housing Authority as a whole better off, or worse off, as a result of the achievements of fiscal year 2012?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Housing Authority as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

### **Fund Financial Statements**

All of the funds of the Housing Authority are reported as proprietary funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Housing Authority, like other enterprises operated by state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Housing Authority's financial statements report its net assets and changes in them. One can think of the Housing Authority's net position – the difference between assets and liabilities – as one way to measure the Authority's financial health, or financial position. Over time, increases and decreases in the Authority's net assets are one indicator of whether its financial health is improving or deteriorating. One will need to consider other non-financial factors, however, such as the changes in the Authority's occupancy levels or its legal obligations to HUD, to assess the overall health of the Housing Authority.

### **USING THIS ANNUAL REPORT**

The Housing Authority's annual report consists of financial statements that show combined information about the Housing Authority's most significant programs:

Low Rent Public Housing	\$ 363,881
Public Housing Capital Fund Program	324,293
Housing Choice Vouchers	426,427
Moderate Rehab	480,462
Shelter Plus	<u>116,392</u>
Total funding received this current fiscal year	<u>\$1,711,455</u>

The Housing Authority's auditors provided assurance in their independent auditors' report with which this MD&A is included, that the basic financial statements are fairly stated. The auditors provide varying degrees of assurance regarding the other information included in this report. A user of this report should read the independent auditors' report carefully to determine the level of assurance provided for each of the other parts of this report.

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Management's Discussion and Analysis (MD&A)  
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**Reporting the Housing Authority's Most Significant Funds**

The Housing Authority's financial statements provide detailed information about the most significant funds. Some funds are required to be established by the Department of Housing and Urban Development (HUD). However, the Housing Authority establishes other funds to help it control and manage money for particular purposes, or to show that it is meeting legal responsibilities for using grants and other money.

The Housing Authority's enterprise funds use the following accounting approach for Proprietary funds: All of the Housing Authority's services are reported in enterprise funds. The focus of proprietary funds is on income measurement, which, together with the maintenance of net assets, is an important financial indicator.

**FINANCIAL ANALYSIS**

The Housing Authority's net position was \$4,127,711 as of December 31, 2012. Of this amount, \$2,990,219 was invested in capital assets, and the remaining \$1,129,499 was unrestricted. There were \$7,993 in specific assets restricted Housing Choice Voucher (HCV) program, for tenant security deposits and future housing payment reserves

**CONDENSED FINANCIAL STATEMENTS**

**Condensed Statement of Net Position  
(Excluding Inner-fund Transfers)  
As of December 31, 2012**

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Current assets	\$1,250,487	\$1,388,986
Assets restricted for Housing Choice Voucher (HCV) program,	7,993	86,810
Capital assets, net of depreciation	<u>2,990,219</u>	<u>3,084,593</u>
Total assets	<u>4,248,699</u>	<u>4,560,389</u>
<b>LIABILITIES</b>		
Current liabilities	101,231	85,629
Non-current liabilities	<u>19,757</u>	<u>17,388</u>
Total liabilities	<u>120,988</u>	<u>103,017</u>
<b>NET POSITION</b>		
Invested in capital assets, net of depreciation	2,990,219	3,084,594
Net assets restricted for the Housing Choice Voucher program	7,993	86,810
Unrestricted net position	<u>1,129,499</u>	<u>1,285,968</u>
Total net position	<u>4,127,711</u>	<u>4,457,372</u>
Total liabilities and net position	<u>4,248,699</u>	<u>4,560,389</u>

Housing Authority of Sulphur, Louisiana  
Management's Discussion and Analysis (MD&A)  
December 31, 2012

**CONDENSED FINANCIAL STATEMENTS (Continued)**

The net position of these funds decreased by \$329,661, or by 7%, from those of fiscal year 2012, as explained below. In the narrative that follows, the detail factors causing this change are discussed:

**Condensed Statement of Revenues, Expenses, and Changes in Net Position  
(Excluding Inner-fund Transfers)  
Fiscal Year Ended December 31, 2012**

	<u>2012</u>	<u>2011</u>
<b>OPERATING REVENUES</b>		
Tenant rental revenue	\$ 386,490	\$ 339,062
Other tenant revenue	40,571	40,778
Total operating revenues	<u>427,061</u>	<u>379,840</u>
<b>OPERATING EXPENSES</b>		
General	166,984	156,329
Maintenance and repairs	589,560	517,912
Administrative expenses and management fees	311,231	383,061
Utilities	67,705	68,385
Federal Housing Assistance Payments (HAP) to landlords	1,021,923	1,038,111
Protective services	13,080	4,000
Depreciation	374,689	370,501
Tenant services	685	500
Extraordinary repairs	-	20,307
Total operating expenses	<u>2,545,857</u>	<u>2,559,106</u>
(Losses) from operations	<u>(2,118,796)</u>	<u>(2,179,266)</u>
<b>NON-OPERATING REVENUES</b>		
Federal grants for operations	1,439,646	1,798,683
Interest income	1,279	2,941
Fraud Recovery	4,327	1,163
Other non-tenant revenue	72,074	89,623
Total Non-Operating Revenues	<u>1,517,326</u>	<u>1,892,410</u>
<b>NON-OPERATING EXPENSES</b>		
Total non-operating expenses	<u>-</u>	<u>-</u>
(Losses) after non-operating revenues	<u>(601,470)</u>	<u>(286,856)</u>
<b>OTHER CHANGES IN NET POSITION</b>		
Federal grants for capital expenditures	<u>271,809</u>	<u>222,293</u>
<b>NET (DECREASES) IN NET POSITION</b>	<u>(329,661)</u>	<u>(64,563)</u>
<b>NET POSITION, beginning of fiscal year</b>	<u>4,457,372</u>	<u>4,521,935</u>
<b>NET POSITION, end of fiscal year</b>	<u><u>4,127,711</u></u>	<u><u>4,457,372</u></u>

## EXPLANATIONS OF FINANCIAL ANALYSIS

Compared with the prior fiscal year, total operating and non-operating revenues decreased \$278,348, or by 11%, from a combination of larger offsetting factors. Reasons for most of this change are listed below:

- Total tenant revenue increased by \$47,221, or by 12%, from that of the prior fiscal year due to the amount of rent each tenant pays, which is based on a sliding scale of their personal income. Some tenants' personal incomes increased, so rent revenue from these tenants increased accordingly, raising the overall total. In contrast, other tenant revenues (such as fees collected from tenants for late payment of rent, damages to their units, and other assessments) decreased by \$207.
- Federal revenues from HUD for operations decreased by \$359,037, or by 20%, from that of the prior fiscal year. The determination of operating grants is based in part upon operations performance of prior years. This amount fluctuates from year-to-year because of the complexities of the funding formula HUD employs. Generally, this formula calculates an allowable expense level adjusted for inflation, occupancy, and other factors, and then uses this final result as a basis for determining the grant amount. The amount of rent subsidy received from HUD depends upon an eligibility scale of each tenant. There was a decrease in the number of eligible tenants receiving subsidies, so Housing Assistance Grants decreased accordingly, lowering the overall total.
- Federal Capital Funds from HUD increased by \$49,516, or by 22%, from that of the prior fiscal year. The Housing Authority was still in the process of completing projects funded from grants by HUD for fiscal years 2010 through 2011, and submitted a new grant during this current fiscal year.
- Total other non-operating revenue decreased by \$14,385, or by 16%, from that of the prior fiscal year, due to portability voucher reimbursements and administration fees, which are recorded as other income by the Housing Authority in the year received.
- Interest income decreased by \$1,662, or by 57%, from that of the prior fiscal year due to interest rate fluctuations from economic instability.

Compared with the prior fiscal year, total operating and non-operating expenses decreased \$13,249, or by 1%, but this also was made up of a combination of offsetting factors. Again, reasons for most of this change are listed below:

- Depreciation expense increased by \$4,188 from that of the prior fiscal year, because there was an increase in capital assets by \$280,314.
- Maintenance and repairs increased by \$51,341, or by 10%, from that of the prior fiscal year, due to several major factors: Repair staff wages increased by \$6,454, but related employee benefit contributions decreased by \$1,312. Also, materials used increased by \$12,418, or by 10%, and contract labor costs increased by \$54,087, or by 30%. In addition, Extraordinary maintenance decreased by \$20,307 from that of the prior fiscal year.



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Management's Discussion and Analysis (MD&A)  
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- General Expenses increased by \$10,655, or by 7%, from that of the prior fiscal year, and payments in lieu of taxes (PILOT) increased by \$4,813, or by 18%. PILOT is calculated as a percentage of rent minus utilities which, therefore, changed proportionately to the changes in each of these. Insurance premiums decreased by \$1,086, or by 1%, since property and casualty insurance premiums decreased. Whereas, other general expenses decreased by \$892. Lastly, bad debts decreased by \$2,165, or by 12%, and compensated absences increased by \$9,984.
- Administrative Expenses decreased by \$71,830, or by 19%, from that of the prior fiscal year, due to a combination of offsetting factors: Administrative staff salaries decreased by \$25,487, and related employee benefit contributions decreased by \$17,792; therefore, total staff salaries and benefit costs decreased by 18%. In addition, audit fees decreased by \$3,226, accounting fees increased by \$93, and legal fees decreased by \$4,928; thus, total outside professional fees decreased by 24%. Finally, staff training/travel reimbursements decreased by \$7,485, office expenses decreased by \$321, and sundry expenses decreased by \$12,684; therefore, other staff administrative expense decreased by 20%.
- Housing Assistance Payments to landlords decreased by \$16,188, or by 2%, from that of the prior fiscal year, because there was an increase in the number of tenants qualifying for subsidy during the year.
- Utilities Expense decreased by \$680 from that of the prior fiscal year, due to numerous cumulative factors: Water cost increased by \$1,028, due to an increase in rate by 4%; electricity cost decreased by \$1,948, due to a decrease in rate by 18%; gas cost increased by \$78, due to an increase in consumption by 33%; and finally, other utilities expense (such as labor, benefits, garbage, sewage, and waste removal) increased by \$240.
- Protective services - contract labor increased by \$9,080 from that of the prior fiscal year.
- Lastly, Tenant services, totaling \$685, did not change significantly from the prior to the current year.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At December 31, 2012, the Housing Authority had a total cost of \$11,529,595 invested in a broad range of assets and construction in progress from projects funded in 2010 through 2012, listed below. This amount, not including depreciation, represents increases of \$280,314 from the prior year. More detailed information about capital assets appears in the notes to the financial statements.

**Capital Assets, Net of Accumulated Depreciation  
As of December 31, 2012**

	<u>2012</u>	<u>2011</u>
Land	\$ 349,900	\$ 349,900
Construction in progress	271,810	432,223
Buildings	1,877,962	1,828,821
Leasehold improvements	450,109	422,583
Furniture and equipment	40,438	51,067
	<u>2,990,219</u>	<u>3,084,594</u>
Total	<u>2,990,219</u>	<u>3,084,594</u>

As of the end of the 2012 fiscal year, the Authority is still in the process of completing HUD grants of \$761,755 obtained during 2010 through 2012 fiscal years. A total remainder of \$244,641 will be received and \$154,266 will be spent for completing these projects during fiscal year 2013.

### **Debt**

Non-current liabilities also include accrued annual vacation and sick leave due to employees. The Housing Authority has not incurred any mortgages, leases, or bond indentures for financing capital assets or operations.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Housing Authority is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by Federal budget than by local economic conditions. The capital budgets for the 2013 fiscal year have already been submitted to HUD for approval and no major changes are expected.

The Capital fund programs are multiple year budgets and have remained relatively stable. Capital Funds are used for the modernization of public housing properties including administrative fees involved in the modernization.

### **CONTACTING THE HOUSING AUTHORITY'S FINANCIAL MANAGEMENT**

Our financial report is designed to provide our citizens, investors, and creditors with a general overview of the Housing Authority's finances, and to show the Housing Authority's accountability for the money it receives. If you have questions about this report, or wish to request additional financial information, contact Vena F. Bertrand, at Public Housing Authority of Sulphur, Louisiana; 312 Brook St; Sulphur, LA 70663.

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**Independent Auditors' Report**

Board of Commissioners  
Housing Authority of the City  
of Sulphur  
Sulphur, Louisiana

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Housing Authority of the City of Sulphur, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

**Managements Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Frenchman's Creek Limited Partnership, a component unit, which statements reflect total assets of \$6,705,101, as of December 31, 2012, and total revenues of \$320,568, for the year then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Frenchman's Creek Limited Partnership, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the

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aggregate remaining fund information of the Housing Authority of the City of Sulphur, as of December 31, 2012, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the City of Sulphur's basic financial statements. The Schedule of Expenditures of Federal Awards as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the Financial Data Schedule required by the U.S. Department of Housing and Urban Development, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards and the financial data schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2013, on our consideration of the Housing Authority of the City of Sulphur's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority of the City of Sulphur's internal control over financial reporting and compliance.

McMullen and Mancuso, CPAs, LLC

*McMullen and Mancuso CPAs*

June 21, 2013

Housing Authority of the City of Sulphur  
Sulphur, Louisiana

ENTERPRISE FUNDS  
Statement of Net Position

December 31, 2012

	(Memorandum Only) Totals Primary Government				Component Unit
	General	Section 8			
ASSETS					
Current assets					
Cash and cash equivalents	\$ 614,674	\$ 100,201	\$ 714,875	\$ 20,600	
Investments	195,365	167,979	363,344	-	
Accounts receivable	-	7,934	7,934	-	
Accounts receivable-tenants, net	982	-	982	38	
Accounts receivable-HUD, net	-	90,374	90,374	-	
Accrued interest receivable	37	-	37	-	
Inventory	3,771	-	3,771	-	
Prepaid items and other assets	23,293	3,193	26,486	9,969	
Total current assets	838,122	369,681	1,207,803	30,607	
Restricted assets					
Security deposits	50,677	-	50,677	9,900	
Escrow accounts	-	-	-	51,692	
Total restricted assets	50,677	-	50,677	61,592	
Capital assets					
Land	349,900	-	349,900	542,316	
Construction in progress	271,809	-	271,809	-	
Buildings, improvements and equipment, net	2,368,510	-	2,368,510	5,925,598	
Total capital assets, net	2,990,219	-	2,990,219	6,467,914	
Other assets					
Loan fees and tax credit monitoring fees, net	-	-	-	42,308	
Syndication costs	-	-	-	22,500	
Permanent closing fees	-	-	-	80,180	
Total other assets	-	-	-	144,988	
TOTAL ASSETS	3,879,018	369,681	4,248,699	6,705,101	
DEFERRED OUTFLOWS OF RESOURCES	\$ -	\$ -	\$ -	\$ -	

The notes to the financial statements are an integral part of this statement.

Housing Authority of the City of Sulphur  
Sulphur, Louisiana

ENTERPRISE FUNDS  
Statement of Net Position (Continued)

December 31, 2012

	General	Section 8	(Memorandum Only) Totals Primary Government	Component Unit
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	\$ 5,048	\$ -	\$ 5,048	\$ -
Accounts payable - other government	32,131	-	32,131	-
Other payable	-	-	-	-
Accrued interest payable	-	-	-	4,762
Deferred revenues	1,415	2,610	4,025	204
Current portion of long term debt - compensated absences payable	8,539	810	9,349	-
Current portion of long term debt - capital projects/mortgage	-	-	-	15,586
	<u>47,133</u>	<u>3,420</u>	<u>50,553</u>	<u>20,552</u>
Current liabilities payable from current restricted assets				
Deposits due others	<u>50,677</u>	<u>-</u>	<u>50,677</u>	<u>9,901</u>
Total current liabilities	97,810	3,420	101,230	30,453
Noncurrent liabilities				
Compensated absences payable	19,205	553	19,758	-
Development fee payable	-	-	-	329,400
Long term debt	-	-	-	1,884,435
Total noncurrent liabilities	<u>19,205</u>	<u>553</u>	<u>19,758</u>	<u>2,213,835</u>
Total liabilities	<u>117,015</u>	<u>3,973</u>	<u>120,988</u>	<u>2,244,288</u>
DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>				
Invested in capital assets, net of related debt	2,990,219	-	2,990,219	4,290,185
Restricted for housing choice voucher program	-	7,993	7,993	-
Unrestricted	771,784	357,715	1,129,499	170,628
Total Net Position	<u>\$ 3,762,003</u>	<u>\$ 365,708</u>	<u>\$ 4,127,711</u>	<u>\$ 4,460,813</u>

Housing Authority of the City of Sulphur  
Sulphur, Louisiana

ENTERPRISE FUNDS  
Statement of Revenues, Expenses, and Changes in Net Position

December 31, 2012

			(Memorandum Only) Totals Primary Government	Component Unit
	General	Section 8		
OPERATING REVENUES				
Dwelling rental	\$ 427,061	\$ -	\$ 427,061	\$ 309,382
Other	40,445	35,996	76,441	11,186
Federal grants	416,365	1,023,281	1,439,646	-
Total operating revenues	883,871	1,059,277	1,943,148	320,568
OPERATING EXPENSES				
Administration	222,567	88,665	311,232	52,122
Tenant services	685	-	685	40
Utilities	67,706	-	67,706	4,777
Ordinary maintenance and operation	589,561	-	589,561	68,449
Protective services	13,080	-	13,080	-
Insurance	95,357	8,544	103,901	33,031
General expenses	61,858	1,224	63,082	19,742
Interest and amortization	-	-	-	108,888
Extraordinary maintenance	-	-	-	-
Housing and assistance payments	-	1,021,923	1,021,923	-
Depreciation	374,687	-	374,687	210,519
Total operating expenses	1,425,501	1,120,356	2,545,857	497,568
Income (Loss) from operations	(541,630)	(61,079)	(602,709)	(177,000)
Nonoperating revenues (expenses)				
Entity expenses - asset and partnership fees	-	-	-	(18,672)
Interest earnings	883	356	1,239	42
Total nonoperating revenues	883	356	1,239	(18,630)
Income (loss) before capital contributions	(540,747)	(60,723)	(601,470)	(195,630)
Capital grant contributions	271,809	-	271,809	-
Change in net position	(268,938)	(60,723)	(329,661)	(195,630)
NET POSITION AT BEGINNING OF YEAR	4,030,941	426,431	4,457,372	4,656,443
NET POSITION AT END OF YEAR	\$ 3,762,003	\$ 365,708	\$ 4,127,711	\$ 4,460,813

The notes to the financial statements are an integral part of this statement.

Housing Authority of the City of Sulphur  
Sulphur, Louisiana

ENTERPRISE FUNDS  
Statement of Cash Flows

December 31, 2012

	(Memorandum Only)			
	Totals			
	General	Section 8	Primary Government	Component Unit
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Rental receipts	\$ 429,477	\$ -	\$ 429,477	\$ 319,343
Payments to vendors	(683,800)	(75,869)	(759,669)	(228,353)
Payments to employees	(346,643)	(23,747)	(370,390)	(56,780)
Other receipts (payments)	40,445	28,062	68,507	-
Federal grants	416,365	993,668	1,410,033	-
Payments to private landlords	-	(1,021,923)	(1,021,923)	-
Net cash provided by (used in) operating activities	(144,156)	(99,809)	(243,965)	34,210
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchase of capital assets	(8,505)	-	(8,505)	(12,830)
Payments for construction in progress	(271,809)	-	(271,809)	-
Capital grant contributions	271,809	-	271,809	-
Payments on mortgage payable	-	-	-	(14,560)
Increase in accrued interest - NEF	-	-	-	17,729
Deposits to Reserve for Replacements	-	-	-	(12,025)
Entity expenses - asset and partnership management fee	-	-	-	(18,672)
Increase in asset management fee payable	-	-	-	3,183
Increase in partnership management fees payable	-	-	-	15,489
Net cash provided by (used in) capital and related financing activities	(8,505)	-	(8,505)	(21,686)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Dividend reinvestment	(540)	(295)	(835)	-
Interest and dividends received	883	356	1,239	42
Net cash provided by (used in) investing activities	343	61	404	42
Net increase (decrease) in cash and cash equivalents	(152,318)	(99,748)	(252,066)	12,566
Cash and cash equivalents at beginning of year	817,669	199,949	1,017,618	8,034
Cash and cash equivalents at end of year	\$ 665,351	\$ 100,201	\$ 765,552	\$ 20,600



Housing Authority of the City of Sulphur  
Sulphur, Louisiana

ENTERPRISE FUNDS  
Statement of Cash Flows (Continued)

December 31, 2012

	General	Section 8	(Memorandum Only) Totals	Component Unit
<b>RECONCILIATION OF OPERATING INCOME</b>				
<b>(LOSS) TO NET CASH PROVIDED BY (USED FOR)</b>				
<b>OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ (541,630)	\$ (61,079)	\$ (602,709)	\$ (177,000)
Adjustments to reconcile operating income (loss)				
to net cash provided by (used in) operating activities:				
Depreciation and amortization	374,687	-	374,687	216,194
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	856	(7,934)	(7,078)	-
(Increase) decrease in accounts receivable-HUD	-	(29,612)	(29,612)	-
(Increase) decrease in accounts receivable-tenants	245	-	245	(12)
(Increase) decrease in inventory	1,876	-	1,876	-
(Increase) decrease in prepaid items	2,486	(1,822)	664	(2,970)
(Increase) decrease in real estate tax/insurance escrow	-	-	-	(15)
Increase (decrease) in accounts payable	2,997	-	2,997	-
Increase (decrease) in accounts payable-other government	4,813	-	4,813	-
Increase (decrease) in other payable	(734)	-	(734)	-
Increase (decrease) in deposit due others	5,676	-	5,676	4
Increase (decrease) in deferred revenue	1,307	-	1,307	(1,213)
Increase (decrease) in accrued interest payable	149	-	149	(778)
Increase (decrease) in compensated absences	3,116	638	3,754	-
Net cash provided by (used in) operating activities	<u>(144,156)</u>	<u>(99,809)</u>	<u>(243,965)</u>	<u>34,210</u>
Reconciliation of cash and cash equivalents at end of year				
to balance sheet presentation:				
Cash	614,674	100,201	714,875	20,600
Security deposits	50,677	-	50,677	9,900
Escrow accounts	-	-	-	51,692
Cash and cash equivalents at end of year	<u>\$ 665,351</u>	<u>\$ 100,201</u>	<u>\$ 765,552</u>	<u>\$ 82,192</u>

Housing Authority of The City of Sulphur  
Sulphur, Louisiana

Notes to the Financial Statements  
December 31, 2012

**Note 1 - Summary of Significant Accounting Policies**

The Housing Authority of the City of Sulphur (the Authority) was incorporated July 13, 1961 under the authority of the Constitution of statutes (LSA:R.S. 40:381) of the state of Louisiana for the purpose of providing safe and sanitary dwellings accommodations in Sulphur, Louisiana.

**A. Financial Reporting Entity**

GASB Statement 14, *The Financial Reporting Entity*, establishes criteria for determining the governmental reporting entity component units that should be included within the reporting entity. Under the provisions of this Statement, the Authority is considered a primary government, since it is a special purpose government that has a separate governing body, is legally separate, and is fiscally independent of other state or local governments.

The Authority is a related organization of the City of Sulphur since the Honorable Mayor of the City of Sulphur appoints the Authority's governing board. The Authority's governing board is composed of five members appointed for staggered multi-year terms. The City of Sulphur is not financially accountable for the Authority as it is not able to impose its will on the Authority and there is no potential for the Authority to provide financial benefit to, or impose financial burdens on, the City of Sulphur. Accordingly, the Authority is not a component unit of the financial reporting entity of the City of Sulphur or any other governmental unit.

The accompanying financial statements of the Housing Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard – setting body for establishing governmental accounting and financial reporting principles.

In determining how to define the reporting entity, management has considered all potential component units. Governmental Accounting Standards Board (GASB) Codification Section 2100 establishes criteria for determining which, if any, component units should be considered part of the Authority for financial reporting purposes. The criterion include manifestation of oversight responsibility; including financial accountability, appointment of a voting majority, imposition of will, financial benefit to or burden on a primary organization, financial accountability as a result of fiscal dependency, potential dual inclusion, and organizations included in the reporting entity although the primary organization is not financially accountable.

Based on the previous criteria, the Authority has determined that there is a component unit that should be considered as part of the Authority's reporting entity:

Frenchman's Creek Limited Partnership involves the new construction of 40 family Low Income Housing Tax Credit units located in Sulphur, Louisiana, and is a legally separate entity. The managing general partner of Frenchman's Creek Limited Partnership is the FCD GP, LLC, of which FCD Corporation, a Louisiana non-profit corporation, is the only member of the limited liability company. The Board of Directors of FCD Corporation consists entirely of the Board of Commissioners of the Housing Authority, which provides the Housing Authority with a voting majority of the governing body of Frenchman's Creek Limited Partnership. In addition, there is the potential for Frenchman's Creek Limited Partnership to impose financial burden on the Housing Authority.

The governing body of the Housing Authority is not considered to have complete control over Frenchman's Creek Limited Partnership. As a result, the Frenchman's Creek Limited Partnership is included in the Housing Authority's financial statements through discrete presentation. The financial position, changes in net assets, and cash flows of Frenchman's Creek Limited Partnership are presented as of and for the year ended December 31, 2012. Separate audited statements of Frenchman's Creek Limited Partnership were issued for the year ended December 31, 2012 and are available from the Housing Authority's main office, 312 Brook Street, Sulphur, LA 70663.

Housing Authority of The City of Sulphur  
Sulphur, Louisiana

Notes to the Financial Statements  
December 31, 2012

**Note 1 - Summary of Significant Accounting Policies (continued)**

**A. Financial Reporting Entity (continued)**

Programs within the general and section 8 funds operated by the Authority receive federal assistance from the U.S. Department of Housing and Urban Development (HUD), and are subject to applicable laws and regulations. The operations of each fund are accounted for through a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Federal contributions are received and accounted for in the individual programs based upon the purposes for which they are to be spent. The Authority is not subject to income taxes.

A brief description of the various programs is as follows:

- Housing Authority Owned Rental Housing (FW-1132) - Approximately 202 units of low-income public housing are owned by the Housing Authority of the City of Sulphur. Low Income is defined by published entry in the Federal Register per Standard Metropolitan Statistical Areas (SMSA). Tenants pay the highest of 30% of their adjusted income or 10% of monthly income for such housing.

- Section 8 Public Owned Rental Housing - Section 8 Public Housing is a program designed to allow private homeowners to lease their houses to low-income families. The rents are set by the Federal Government and published in the Federal Register and cannot be increased without HUD approval. Tenants pay the highest of 30% of their adjusted income or 10% of monthly income for such housing. The Housing Authority of the City of Sulphur makes up the difference between the tenants portion of the rent and the Fair Market Rent as subsidy to the homeowner. Section 8 has evolved into two programs:

Housing Choice Vouchers (FW-2228V) - 100 units

Moderate Rehab (FW-2074) - 75 units

- Shelter Plus Care Housing - This program provides for housing for homeless individuals and families with special disabilities. The basic Section 8 rules apply.

**B. Funds**

The accounts of the Authority are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

All funds of the Authority are classified as proprietary. The general fund accounts for transactions of the public housing low rent program and the capital fund program. The Section 8 fund accounts for transactions of the housing choice voucher program, the moderate rehab program, and the shelter plus care housing program.

**C. Measurement Focus and Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Proprietary funds are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The Authority has elected, pursuant to Governmental Accounting Standards Board (GASB) Statement 20, to apply all GASB pronouncements and only

Housing Authority of The City of Sulphur  
Sulphur, Louisiana

Notes to the Financial Statements  
December 31, 2012

**Note 1 - Organization and Summary of Significant Accounting Policies (Continued)**

**C. Measurement Focus and Basis of Accounting (continued)**

FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's funds are rent and maintenance charges to residents and administration fees earned.

Operating expenses for proprietary funds include the administrative costs of providing the service and the housing assistance payments to residents. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Total columns on the basic financial statements are captioned as "Memorandum Only," because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of these data.

**D. Budgets**

Budgets are prepared on an annual basis for each major operating program and are used as a management tool throughout the accounting cycle. Budgets are not, however legally adopted nor legally required for financial statement presentation.

**E. Deposits and Investments**

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the Authority's investment policy allow the entity to invest in collateralized certificates of deposits, government back securities, commercial paper, the state sponsored investments pool, and mutual funds consisting solely of government back securities.

**F. Short-term Interfund Receivables/Payables**

During the course of operations, numerous transactions occur between individual funds for services rendered. Services provided, deemed to be at market or near market rates, are treated as revenues and expenses. Additionally, transactions occur between individual funds as a result of the use of a common paymaster for shared costs of the Authority. Cash settlements are made periodically. These receivables and payables are classified as interfund receivables/payables.

**G. Inventory**

All purchased inventory items are valued at cost using first-in, first-out method. Acquisition of materials and supplies are accounted for on the consumption method, that is, the expenses are charged when the items are consumed.

**H. Prepaid Items**

Payments made to vendors that will benefit periods beyond the fiscal year end are recorded as prepaid items. Prepaid items consist of prepaid insurance.

**I. Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows, the Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Housing Authority of The City of Sulphur  
Sulphur, Louisiana

Notes to the Financial Statements  
December 31, 2012

**Note 1 - Organization and Summary of Significant Accounting Policies (Continued)**

**J. Restricted Assets**

Certain assets are classified as restricted assets on the balance sheet because their use is restricted for security deposits held in trust.

**K. Capital Assets**

The Authority's purchased capital assets are recorded at historical cost and depreciated over their estimated useful lives. Donated capital assets are recorded at their estimated fair value at the date of donation. The Authority's policy is to capitalize significant items of equipment, major renovations, buildings, and real estate. The Authority capitalizes equipment and/or personal property with an initial cost of \$2,500 or more and an anticipated life or useful value of said equipment or property of more than one year.

The costs of normal maintenance and repairs that do not add value of the asset or materially extend asset lives are not capitalized.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

Original buildings	33 years
Building improvements	15 years
Site improvements	15 years
Furniture and equipment	5 – 7 years
Automobile and trucks	5 years
Computers	3 years

**L. Deferred Revenues**

The Authority reports deferred revenues on its balance sheet. Deferred revenues arise when the Authority receives resources before it has a legal claim to them. In subsequent periods, when the Authority has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and the revenue is recognized.

**M. Compensated Absences**

The Authority follows Louisiana Civil Service regulations for accumulated annual and sick leave. Annual and sick leave is earned by each full-time and each part-time associate who has a regular tour of duty, except that no associate shall earn annual or sick leave while serving on restricted appointment or while using leave from an agency leave pool as defined in Rule 11.34.

The earning of such leave is based on the equivalent of years of full-time State service and shall be creditable at the end of each calendar month or at the end of each regular pay period based on graduated rates per hour. Accrued unused annual and sick leave earned by an associate shall be carried forward to succeeding calendar years. Upon separation from the Authority, an associate is paid the value of his accrued annual leave in a lump sum up to a maximum of 300 hours, disregarding any final fraction of an hour; provided the privileges of this rule shall not extend to any associate who is dismissed for theft of Authority funds or property. Upon separation from the Authority, an associate is not compensated for sick leave.

Housing Authority of The City of Sulphur  
Sulphur, Louisiana

Notes to the Financial Statements  
December 31, 2012

**Note 1 - Organization and Summary of Significant Accounting Policies (Continued)**

**N. Restricted Net Position**

Net position is reported as restricted when constraints placed on net position are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Restricted resources are used first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**O. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, and other financing sources and uses during the reporting period. Actual results could differ from those estimates.

**Note 2 - Cash and Cash Equivalents**

At December 31, 2012, the Authority has cash and cash equivalents (book balances) totaling \$924,055, all in interest - bearing demand deposit accounts. These deposits are stated at cost, which approximates market. Under state law, these deposits, or the resulting bank balances, must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must equal the amount on deposit with the fiscal agent at all times. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2012, the Authority had \$965,086 in deposits (collected bank balances). These deposits are secured by \$500,000 of federal deposit insurance and \$465,086 pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds on demand.

**Note 3 - Investments**

The Authority's investments are limited to those allowed by state statute. At December 31, 2012, the Authority's investments consisted of a certificate of deposit with a carrying amount of \$30,000, and two (2) money market accounts with collective balances of \$333,348.

**Note 4 - Accounts Receivable**

The accounts receivables at December 31, 2012 are as follows:

	General	Section 8	(Memorandum Only Total)
<b>Class of Receivable</b>			
HUD	\$ -	\$ 98,308	\$ 98,308
Tenants	982	-	982
Miscellaneous	-	-	-
	<u>\$ 982</u>	<u>\$ 98,308</u>	<u>\$ 99,290</u>

The tenants account receivable is net of an allowance for doubtful accounts of \$5,681.



Housing Authority of The City of Sulphur  
Sulphur, Louisiana

Notes to the Financial Statements  
December 31, 2012

**Note 5 - Prepaid Items**

Prepaid items as of December 31, 2012 consisted of prepaid insurance of \$26,488.

**Note 6 - Capital Assets**

Capital assets and depreciation activity as of and for the year ended December 31, 2012 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	\$ 349,900	\$ -	\$ -	\$ 349,900
Construction in Progress	432,222	271,809	(432,222)	271,809
Total capital assets, not being depreciated	782,122	271,809	(432,222)	621,709
Capital assets being depreciated				
Site Improvements	1,336,012	432,222	-	1,768,234
Buildings	8,812,394	-	-	8,812,394
Furniture and Equipment	316,936	8,505	-	325,441
Total capital assets being depreciated	10,465,342	440,727	-	10,906,069
Less accumulated depreciation	8,162,871	374,688	-	8,537,559
Total capital assets being depreciated, net	2,302,471	66,039	-	2,368,510
Total capital assets	<u>\$ 3,084,593</u>	<u>\$ 337,848</u>	<u>\$ (432,222)</u>	<u>\$ 2,990,219</u>

Component unit capital assets of \$6,467,914 consisted of buildings, improvements and equipment (\$5,925,598) and land (\$542,316).

**Note 7 - Construction Commitments**

The Authority has two (2) active construction projects as of December 31, 2012, consisting of the ceiling replacement project on various units in low income public housing, and sidewalks. At year end, the total spent on the ceiling replacement is \$221,520 and \$50,290 on the sidewalk project.

Housing Authority of The City of Sulphur  
Sulphur, Louisiana

Notes to the Financial Statements  
December 31, 2012

**Note 8 - Accounts Payable**

The accounts payable at December 31, 2012 are as follows:

Class of Payables	General	Section 8	(Memorandum Only Total)
Due to Other Governments:			
Payment in lieu of property tax	\$ 32,131	\$ -	\$ 32,131
Operating	5,041	-	5,041
	<u>\$ 37,172</u>	<u>\$ -</u>	<u>\$ 37,172</u>

**Note 9 – Compensated Absences Payable**

As of December 31, 2012, employees of the Housing Authority have accumulated and vested \$29,106 of employee leave computed in accordance with GASB Codification Section C60.

**Note 10 - General Long-Term Obligations**

The following is a summary of the long-term obligation transactions for the year ended December 31, 2012, which consisted of compensated absences:

	General	Section 8	(Memorandum Only Total)
Balance, beginning	\$24,628	\$724	\$25,352
Additions	16,660	825	\$17,485
Deductions	(32,749)	(739)	(\$33,488)
Balance, ending	<u>\$8,539</u>	<u>\$810</u>	<u>\$9,349</u>
Amounts due in one year	<u>\$8,539</u>	<u>\$810</u>	<u>\$9,349</u>

**Note 11 - Retirement Plan**

The Authority participates in the Housing-Renewal and Local Agency Retirement Plan, which is a defined contribution plan. The plan consists of employees of various local and regional housing authorities, urban renewal agencies, and other similar organizations. Through this plan, the Authority provides pension benefits for all of its full-time employees. All regular full time employees are eligible to participate in the plan on the first day of the month after completing one month of continuous and uninterrupted employment. The Board of Commissioners of the Authority determines plan provisions and changes to plan contributions.

Under a defined contribution plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and the returns earned on investments of those contributions.

Under the plan, the Authority contributes 8.5% of the employee's basic (excludes overtime) monthly salary to the plan with the provision that the employee is required to contribute a minimum 6.5%. The Authority's contribution for each employee and income allocated to the employee's account are fully



Housing Authority of The City of Sulphur  
Sulphur, Louisiana

Notes to the Financial Statements  
December 31, 2012

**Note 11 - Retirement Plan (Continued)**

vested after five years of continuous service. The Authority's contributions and interest forfeited by employees who leave employment before five years of service are used to offset future contributions of the Authority. Normal retirement date shall be the first day of the month following the employee's 65<sup>th</sup> birthday or after 10 years of participation in the plan.

The Authority's total payroll for the year ended December 31, 2012 was \$346,495. The Authority made the required contributions of \$21,204 for the year ended December 31, 2012.

**Note 12 - Contingencies and Commitments**

**Grant Disallowances** In the normal course of operations, the Authority receives grant funds from federal agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with reimbursement by the grantor agency for expenditures disallowed under terms of the grants. Management of the Authority believes that the amount of disallowances, if any, which may arise from future audits will not be material.

**Construction Projects** There are construction projects in progress at December 31, 2012 which includes modernizing rental units. HUD funds these projects. Funds are requested periodically as the cost is incurred.

**Note 13 - Risk Management**

The Authority is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance.

**Note 14- Economic Dependence and Current Vulnerability Due to Certain Concentrations**

Statement of Financial Accounting Standards (SFAS) No. 14 requires disclosure in financial statements of a situation where one entity provides more than 10% of the audited entity's revenues. The Department of Housing and Urban Development provided \$1,711,455 to the Authority, which represents approximately 78% of the Authority's total revenue for the year.

The Authority's operations are concentrated in the public housing real estate market. In addition, the Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. HUD subject to change by an act of congress or an administrative change mandates such administrative directives, rules, and regulations. Such changes may occur with little notice or inadequate funding to pay the related cost, including additional administrative burden, to comply with a change.

## SUPPLEMENTARY INFORMATION

Housing Authority of The City of Sulphur  
Sulphur, Louisiana

FINANCIAL DATA SCHEDULE  
For the Year Ended December 31, 2012

		Lower Income Housing Assistance Program Section 8 Moderate						
Line Item No	Account Description	Project Totals	Housing Choice Vouchers	Shelter Plus Care	Component Unit	Rehabilitation	Total	
111	Cash - Unrestricted	\$ 598,293	\$ 56,369	\$ -	\$ 20,599	\$ 52,220	727,481	
112	Cash - Restricted - Modernization and development	-	-	-	-	-	-	
113	Cash - Other Restricted	-	7,993	-	51,692	-	59,685	
114	Cash - Tenant Security Deposits	50,677	-	-	9,906	-	60,583	
115	Cash - Restricted for payment of current liability	-	-	-	-	-	-	
100	Total Cash	648,970	64,362	-	82,197	52,220	847,749	
121	Accounts Receivable - PHA Projects	-	-	-	-	-	-	
122	Accounts Receivable - HUD Other Projects	1	-	-	-	90,374	90,375	
124	Accounts Receivable - Other Government	-	-	-	-	-	-	
125	Accounts Receivable - Miscellaneous	-	7,934	-	-	-	7,934	
126	Accounts Receivable - Tenants	6,663	-	-	38	-	6,701	
126.1	Allowance for Doubtful Accounts - Tenants	(5,681)	-	-	-	-	(5,681)	
126.2	Allowance for Doubtful Accounts - Other	-	-	-	-	-	-	
127	Notes, Loans, & Mortgages Receivable - Current	-	-	-	-	-	-	
128	Fraud Recovery	-	-	-	-	-	-	
128.1	Allowance for Doubtful Accounts - Fraud	-	-	-	-	-	-	
129	Accrued Interest Receivable	37	-	-	-	-	37	
120	Total Receivables, net of allowance for doubtful accounts	1,020	7,934	-	38	90,374	99,366	
131	Investments - Unrestricted	195,365	167,979	-	-	-	363,344	
132	Investments - Restricted	-	-	-	-	-	-	
135	Investments - Restricted for payment of current liability	-	-	-	-	-	-	
142	Prepaid Expenses and Other Assets	23,293	3,192	-	9,969	-	36,454	
143	Inventories	3,969	-	-	-	-	3,969	
143.1	Allowance for Obsolete Inventories	(198)	-	-	-	-	(198)	
144	Interprogram- Due From	-	-	-	-	-	-	
145	Assets Held for Sale	-	-	-	-	-	-	
150	Total Current Assets	872,419	243,467	-	92,204	142,594	1,350,684	
161	Land	349,900	-	-	542,316	-	892,216	
162	Buildings	9,131,078	-	-	6,119,545	-	15,250,623	
163	Furniture, Equipment & Machinery - Dwellings	35,392	-	-	181,612	-	217,004	
164	Furniture, Equipment & Machinery - Administration	193,835	1,485	-	-	332	195,652	
165	Leasehold Improvements	1,545,764	-	-	255,759	-	1,801,523	
166	Accumulated Depreciation	(8,537,559)	(1,485)	-	(631,318)	(332)	(9,170,694)	
167	Construction In Progress	271,809	-	-	-	-	271,809	
168	Infrastructure	-	-	-	-	-	-	
160	Total Capital Assets, Net of Accumulated Depreciation	2,990,219	-	-	6,467,914	-	9,458,133	
171	Notes, Loans & Mortgages Receivable - Non-Current	-	-	-	-	-	-	
172	Notes, Loans & Mortgages Receivable - Non-Current - Past Due	-	-	-	-	-	-	
173	Grants Receivable - Non - Current	-	-	-	-	-	-	
174	Other Assets	-	-	-	144,988	-	144,988	
176	Investment in Joint Venture	-	-	-	-	-	-	
180	Total Non-Current Assets	2,990,219	-	-	6,612,902	-	9,603,121	
190	Total Assets	\$ 3,862,638	\$ 243,467	\$ -	\$ 6,705,106	\$ 142,594	\$ 10,953,805	

Housing Authority of The City of Sulphur  
Sulphur, Louisiana

FINANCIAL DATA SCHEDULE  
For the Year Ended December 31, 2012

Line Item No	Account Description						Lower Income Housing Assistance Program, Section 8 Moderate Rehabilitation		Total
		Project Totals	Housing Choice Vouchers	Shelter Plus Care	Component Unit				
311	Bank Overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
312	Accounts Payable <= 90 Days	4,193	-	-	-	-	-	-	4,193
313	Accounts Payable > 90 Days Past Due	-	-	-	-	\$ -	-	-	-
321	Accrued Wage/Payroll Taxes Payable	848	-	-	-	-	-	-	848
322	Accrued Compensated Absences - Current Portion	8,539	810	-	-	-	-	-	9,349
324	Accrued Contingency Liability	-	-	-	-	-	-	-	-
325	Accrued Interest Payable	-	-	-	4,762	-	-	-	4,762
331	Accounts Payable - HUD PHA Programs	-	2,610	-	-	-	-	-	2,610
332	Accounts Payable - PHA Projects	-	-	-	-	-	-	-	-
333	Accounts Payable - Other Government	32,131	-	-	-	-	-	-	32,131
341	Tenant Security Deposits	50,677	-	-	9,906	-	-	-	60,583
342	Deferred Revenue	1,415	-	-	204	-	-	-	1,619
343	Current Portion of Long-Term Debt - Capital Projects/Mortgage Revenue Bonds	-	-	-	15,586	-	-	-	15,586
344	Current Portion of Long-Term Debt - Operating Borrowings	-	-	-	-	-	-	-	-
345	Other Current Liabilities	-	-	-	-	-	-	-	-
346	Accrued Liabilities - Other	8	-	-	-	-	-	-	8
347	Interprogram Due To	-	16,381	-	-	-	-	-	16,381
348	Loan Liability - Current	-	-	-	-	-	-	-	-
310	Total Current Liabilities	97,811	19,801	-	30,458	-	-	-	148,070
351	Capital Projects/Mortgage Revenue Bonds	-	-	-	1,884,435	-	-	-	1,884,435
352	Long-Term Debt, Net of Current - Operating Borrowings	-	-	-	-	-	-	-	-
353	Non - Current Liabilities - Other	-	-	-	329,400	-	-	-	329,400
354	Accrued Compensated Absences - Non Current	19,205	552	-	-	-	-	-	19,757
355	Loan Liability - Noncurrent	-	-	-	-	-	-	-	-
356	FASB 5 Liabilities	-	-	-	-	-	-	-	-
357	Accrued Pension and OPEB Liability	-	-	-	-	-	-	-	-
350	Total Noncurrent Liabilities	19,205	552	-	2,213,835	-	-	-	2,233,592
300	Total Liabilities	117,016	20,353	-	2,244,293	-	-	-	2,381,662
508.1	Invested in Capital Assets, Net of Related Debt	2,990,219	-	-	4,238,493	-	-	-	7,228,712
509.2	Fund Balance Reserved	-	-	-	-	-	-	-	-
511.1	Restricted Net Assets	-	7,993	-	51,692	-	-	-	59,685
511.2	Unreserved, Designated Fund Balance	-	-	-	-	-	-	-	-
512.1	Unrestricted Net Assets	771,784	215,121	-	170,628	142,594	-	-	1,300,127
512.2	Unreserved, Undesignated Fund Balance	-	-	-	-	-	-	-	-
513	Total Equity/Net Assets	3,762,003	223,114	-	4,460,813	142,594	-	-	8,588,524
600	Total Liabilities and Equity/Net Assets	\$ 3,879,019	\$ 243,467	\$ -	\$ 6,705,106	\$ 142,594	\$ -	\$ -	10,970,186

Housing Authority of The City of Sulphur  
Sulphur, Louisiana

FINANCIAL DATA SCHEDULE  
For the Year Ended December 31, 2012

Line Item No.	Account Description	Housing Choice				Lower Income Housing Assistance Program, Section 8		Total
		Project Totals	Vouchers	Shelter Plus Care	Component Unit	Moderate Rehabilitation		
70500	Net Tenant Rental Revenue	\$ 386,490	\$ -	\$ -	\$ 309,382	\$ -	\$ -	695,872
70400	Tenant Revenue - Other	40,571	-	-	11,186	-	-	51,757
70500	Total Tenant Revenue	427,061	-	-	320,568	-	-	747,629
70600	HUD PHA Operating Grants	416,365	426,427	116,392	-	480,462	-	1,439,646
70610	Capital Grants	271,809	-	-	-	-	-	271,809
70710	Management Fee	-	-	-	-	-	-	-
70720	Asset Management Fee	-	-	-	-	-	-	-
70730	Book-Keeping Fee	-	-	-	-	-	-	-
70740	Front Line Service Fee	-	-	-	-	-	-	-
70750	Other Fees	-	-	-	-	-	-	-
70700	Total Fee Revenue	-	-	-	-	-	-	-
70800	Other Government Grants	-	-	-	-	-	-	-
71100	Investment Income - Unrestricted	883	155	-	42	201	-	1,281
71200	Mortgage Interest Income	-	-	-	-	-	-	-
71300	Proceeds from Disposition of Assets Held for Sale	-	-	-	-	-	-	-
71310	Cost of Sale of Assets	-	-	-	-	-	-	-
71400	Fraud Recovery	-	1,992	-	-	2,335	-	4,327
71500	Other Revenue	40,445	31,429	-	-	-	-	72,074
71600	Gain or Loss on Sale of Capital Assets	-	-	-	-	-	-	-
72000	Investment Income - Restricted	-	40	-	-	-	-	40
7000	Total Revenue	1,156,563	460,243	116,392	320,610	482,998	-	2,536,806
91100	Administrative Salaries	107,157	13,728	6,981	27,796	13,728	-	169,390
91200	Auditing Fees	7,350	1,575	-	-	1,575	-	10,500
91300	Management Fee	-	-	-	-	-	-	-
91310	Book-Keeping Fee	-	-	-	-	-	-	-
91400	Advertising and Marketing	193	19	-	-	19	-	231
91500	Employee Benefit Contributions - Administrative	43,133	9,433	-	7,429	9,433	-	69,428
91600	Office Expense	48,172	14,548	-	32,038	14,246	-	109,024
91700	Legal Expense	2,561	-	-	111	-	-	2,672
91800	Travel	8,262	1,680	-	-	1,680	-	11,622
91810	Allocated Overhead	-	-	-	-	-	-	-
91900	Other	5,739	-	-	3,420	-	-	9,159
91000	Total Operating - Administrative	222,567	41,003	6,981	70,794	40,681	-	382,026
92000	Asset Management Fee	-	-	-	-	-	-	-
92100	Tenant Services - Salaries	-	-	-	-	-	-	-
92200	Relocation Costs	-	-	-	-	-	-	-
92300	Employee Benefit Contributions - Tenant Services	-	-	-	-	-	-	-
92400	Tenant Services - Other	685	-	-	40	-	-	725
92500	Total Tenant Services	685	-	-	40	-	-	725
93100	Water	25,777	-	-	621	-	-	26,398
93200	Electricity	14,576	-	-	3,690	-	-	18,266
93300	Gas	483	-	-	-	-	-	483
93400	Fuel	-	-	-	-	-	-	-
93500	Labor	-	-	-	-	-	-	-
93600	Sewer	26,870	-	-	466	-	-	27,336
93700	Employee Benefit Contributions - Utilities	-	-	-	-	-	-	-
93800	Other Utilities Expense	-	-	-	-	-	-	-
93000	Total Utilities	67,706	-	-	4,777	-	-	72,483
94100	Ordinary Maintenance and Operations - Labor	186,048	-	-	28,984	-	-	215,032
94200	Ordinary Maintenance and Operations - Materials and Other	131,263	-	-	6,424	-	-	137,687
94300	Ordinary Maintenance and Operations Contracts	208,260	-	-	25,308	-	-	233,568
94500	Employee Benefit Contributions - Ordinary Maintenance	63,990	-	-	7,733	-	-	71,723
94000	Total Maintenance	589,561	-	-	68,449	-	-	658,010
95100	Protective Services - Labor	-	-	-	-	-	-	-
95200	Protective Services - Other Contract Costs	13,080	-	-	-	-	-	13,080
95300	Protective Services - Other	-	-	-	-	-	-	-
95500	Employee Benefit Contributions - Protective Services	-	-	-	-	-	-	-
95000	Total Protective Services	13,080	-	-	-	-	-	13,080
96110	Property Insurance	58,693	-	-	31,637	-	-	90,330
96120	Liability Insurance	12,921	1,825	-	-	1,825	-	16,571
96130	Workmen's Compensation	17,861	1,500	-	1,394	1,500	-	22,255
96140	All Other Insurance	5,882	947	-	-	947	-	7,776
96100	Total Insurance Premium	95,357	4,272	-	33,031	4,272	-	136,932
96200	Other General Expenses	-	-	-	18,672	-	-	18,672
96210	Compensated Absences	13,412	1,224	-	-	-	-	14,636
96300	Payments in Lieu of Taxes	32,131	-	-	-	-	-	32,131
96400	Bad Debt - Tenant Rents	16,315	-	-	1,070	-	-	17,385
96500	Bad Debt - Mortgages	-	-	-	-	-	-	-
96600	Bad Debt - Other	-	-	-	-	-	-	-
96800	Severance Expense	-	-	-	-	-	-	-
96000	Total Other General Expenses	61,858	1,224	-	19,742	-	-	82,824
96710	Interest of Mortgage (or Bonds) Payable	-	-	-	85,484	-	-	85,484
96720	Interest on Notes Payable (Short and Long Term)	-	-	-	17,729	-	-	17,729
96730	Amortization of Bond Issue Costs	-	-	-	5,675	-	-	5,675
96700	Total Interest Expense and Amortization Cost	-	-	-	108,888	-	-	108,888
96900	Total Operating Expenses	1,050,814	46,499	6,981	305,721	44,953	-	1,454,968
97000	Excess Operating Revenue Over Operating Expenses	105,749	413,744	109,411	14,889	438,045	-	1,081,838
97100	Extraordinary Maintenance	-	-	-	-	-	-	-
97200	Casualty Losses - Non-Capitalized	-	-	-	-	-	-	-
97300	Housing Assistance Payments	-	455,056	109,411	-	430,580	-	995,047
97350	HAP Portability - In	-	26,876	-	-	-	-	26,876
97400	Depreciation Expense	374,687	-	-	210,519	-	-	585,206
97500	Fraud Losses	-	-	-	-	-	-	-
97600	Capital Outlays - Governmental Funds	-	-	-	-	-	-	-
97700	Debt Principal Payment - Governmental Funds	-	-	-	-	-	-	-
97800	Dwelling Units Rent Expense	-	-	-	-	-	-	-
9000	Total Expenses	1,425,501	528,431	116,392	516,240	475,533	-	3,062,097
10010	Operating Transfers In	-	-	-	-	-	-	-
10020	Operating Transfers Out	-	-	-	-	-	-	-
10030	Operating Transfers from / to Primary Government	-	-	-	-	-	-	-
10040	Operating Transfers from / to Component Unit	-	-	-	-	-	-	-
10050	Proceeds from Notes, Loans and Bonds	-	-	-	-	-	-	-
10060	Proceeds from Property Sales	-	-	-	-	-	-	-
10070	Extraordinary Items, Net Gain/Loss	-	-	-	-	-	-	-
10080	Special Items, Net Gain/Loss	-	-	-	-	-	-	-
10091	Inter Project Excess Cash Transfer In	-	-	-	-	-	-	-
10092	Inter Project Excess Cash Transfer Out	-	-	-	-	-	-	-
10093	Transfers Between Programs and Projects - In	-	-	-	-	-	-	-
10094	Transfers Between Programs and Projects - Out	-	-	-	-	-	-	-
10100	Total Other Financing Sources (Uses)	-	-	-	-	-	-	-
10000	Excess-Deficiency of Operating Revenue Over (Under) Expenses	\$ (268,938)	\$ (68,188)	\$ -	\$ (195,630)	\$ 7,465	\$ -	\$ (525,291)

Housing Authority of The City of Sulphur  
Sulphur, Louisiana

FINANCIAL DATA SCHEDULE  
For the Year Ended December 31, 2012

Line Item No.	Account Description	Project Totals	Housing Choice		Capital Fund Stimulus Grant	Component Unit	Section 8 Rental Voucher Program	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation	Total
			Vouchers	Shelter Plus Care					
11020	Required Annual Debt Principle Payments	\$ -	\$ -	\$ -	\$ -	15,586			15,586
11030	Beginning Equity	4,030,941				4,656,443	291,302	135,129	9,113,815
11040	Prior Period Adjustments, Equity Transfers and Correction of								
11050	Changes in Compensated Absence Balance								
11060	Changes in Contingent Liability Balance								
11070	Changes in Unrecognized Pension Transition Liability								
11080	Changes in Special Term/Severance Benefits Liability								
11090	Changes in Allowance for Doubtful Accounts - Dwelling Rents								
11100	Changes in Allowance for Doubtful Accounts - Other								
11170	Administrative Fee Equity		215,121						215,121
11180	Housing Assistance Payments Equity		7,993						7,993
11190	Unit Months Available	2376	1416	273		480		984	5529
11210	Units Months Leased	2274	1036	240		442		814	4806
11270	Excess Cash	678,408							678,408
11610	Land Purchases								
11620	Building Purchases	221,519							221,519
11630	Furniture & Equipment - Dwelling Purchases								
11640	Furniture & Equipment - Administrative Purchases								
11650	Leasehold Improvements Purchases	50,290							50,290
11660	Infrastructure Purchases								
13510	CFFP Debt Service Payments								
13901	Replacement Housing Factor Funds								

Housing Authority of the City of Sulphur  
Sulphur, Louisiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2012

<b>Federal Grantor/Pass-through Grantor/Program Name</b>	<b>1/1/12 - 12/31/12 Grants CFDA Number</b>	<b>Expenditures</b>
Department of Housing and Urban Development:		
PHA Owned Housing	14.850	\$ 363,881
Public Housing Capital Fund	14.872	324,293
Section 8 Moderate Rehabilitation	14.856	480,462
Section 8 Housing Choice Vouchers	14.871	426,427
Shelter Plus Care Renewal	14.238	116,392
		<u>\$ 1,711,455</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

**Housing Authority of the City of Sulphur  
Sulphur, Louisiana**

**Notes to the Schedule of Expenditures of Federal Awards  
December 31, 2012**

**Note 1 - Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of all federal awards programs of the Housing Authority of the City of Sulphur (the Authority). The Authority's reporting entity is defined in Note 1 of the notes to the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**Note 2 - Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the Authority's basic financial statements.

**Note 3 - Relationship to Basic Financial Statements**

Federal award revenues are reported in the Authority's basic financial statements as follows:

<u>Federal Sources</u>	<u>Amount</u>
General	\$ 363,881
Section 8	1,023,281
Capital Fund - General	324,293
	<u>\$ 1,711,455</u>

**Note 4 - Relationship to Federal Financial Reports**

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with accounting principles generally accepted in the United States of America.



**Housing Authority of the City of Sulphur  
Sulphur, Louisiana**

**Compensation Paid Board Members  
December 31, 2012**

The members of the Board of Commissioners serve without compensation. The members of the Board of Commissioners are as follows:

Franklin Foote, Chairman

Shirley Hoffpauir, Vice-Chairman

Joy Abshire

James Milton

Fedra Williams

**Housing Authority of the City of Sulphur  
Sulphur, Louisiana**

**Statement of Actual Modernization Cost Certificate  
For the Year Ended December 31, 2012**

1 The actual modernization costs for the completed modernization program is as follows.

	Grant PO63501-10
	<hr/>
Funds Approved	\$ 288,659
Funds Expended	<hr/> 288,659
Excess of Funds Approved	<hr/> <hr/> NONE
Funds Advanced	\$ 288,659
Funds Expended	<hr/> 288,659
Excess of Funds Advanced	<hr/> <hr/> NONE

2 The distribution of costs as shown on the Actual Modernization Cost Certificate submitted to HUD for approval is in agreement with the Housing Authority's records.

3 All modernization costs have been paid and all related liabilities have been charged through payment.

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT  
AUDITING STANDARDS**

Board of Commissioners  
Housing Authority of the City of Sulphur  
Sulphur, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of each major fund and the aggregate remaining fund information of the Housing Authority of the City of Sulphur, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of Sulphur's basic financial statements and have issued our report thereon dated June 21, 2013. The financial statements of Frenchman's Creek Limited Partnership were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Housing Authority of the City of Sulphur's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the City of Sulphur's internal control. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of the City of Sulphur's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Housing Authority of the City of Sulphur's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item [2012-1].

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

MCMULLEN AND MANCUSO, CPAs, LLC

*McMullen and Mancuso CPAs*

June 21, 2013



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Commissioners  
Housing Authority of the City of Sulphur  
Sulphur, Louisiana

**Report on Compliance for Each Major Federal Program**

We have audited the Housing Authority of the City of Sulphur's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Housing Authority of the City of Sulphur major federal programs for the year ended December 31, 2012. The Housing Authority of the City of Sulphur's major federal programs is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the Housing Authority of the City of Sulphur's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of the City of Sulphur's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Housing Authority of the City of Sulphur's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the Housing Authority of the City of Sulphur complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

### Other Matters

The results of our auditing procedures disclosed instances on noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items [2012-1]. Our opinion on each major federal program is not modified with respect to these matters.

Housing Authority of the City of Sulphur's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Housing Authority of the City of Sulphur's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### Report on Internal Control over Compliance

Management of the Housing Authority of the City of Sulphur is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Housing Authority of the City of Sulphur's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of the City of Sulphur's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weakness or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item [2012-1].

Housing Authority of the City of Sulphur responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Housing Authority of the City of Sulphur's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

MCMULLEN AND MANCUSO, CPAs, LLC  
*McMullen and Mancuso CPAs*  
June 21, 2013

**Housing Authority of the City of Sulphur**  
**Sulphur, Louisiana**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**December 31, 2012**

**Part I: Summary of the Auditor's Report**

1. The auditors' report expresses an unqualified opinion on the financial statements of the Housing Authority of the City of Sulphur.
2. There were no significant deficiencies in internal control required to be disclosed by *Government Auditing Standards* issued by the Comptroller General of the United States.
3. There was one (1) instance of noncompliance considered material, as defined by the *Government Auditing Standards*, to the financial statement.
4. There was one (1) significant deficiency in internal control over major federal award programs required to be disclosed by OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for the Housing Authority of the City of Sulphur expresses an unqualified opinion on all major federal programs.
6. The audit disclosed findings required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major program included:
  - Section 8 Moderate Rehabilitation – CFDA 14.856
  - Section 8 Housing Choice Vouchers – CFDA 14.871
  - Public Housing Capital Fund – CFDA 14.872
8. The threshold for distinguishing Types A and B programs was 300,000.
9. The Housing Authority of the City of Sulphur was determined to be a low risk auditee as defined by OMB Circular A-133.

**Housing Authority of the City of Sulphur**  
**Sulphur, Louisiana**  
**SCHEDULE OF FINDINGS**  
**December 31, 2012**

**Part II: Findings related to financial statements which are required to be reported in accordance with Governmental Auditing Standards generally accepted in the United States of America:**

**2012-1 Test of Resident Files**

**Criteria or specific requirement:**

The PHA must determine income eligibility and calculate the tenant's rent payment using documentation from third-party verification. This rent payment also includes the cost of utilities obtained from the schedule of utility allowances.

**Condition found:**

On one (1) of the forty (40) tenant files sampled, the rental payment calculation contains errors that overstated the tenant's portion of the rental payment.

**Effect:**

The tenant's rent payment was incorrectly calculated and the tenant should have been provided additional benefits when they were legitimately eligible.

**Cause:**

The PHA obtained information from the schedule of utility allowances and incorrectly calculated the cost of utilities to be included in the tenant's rent payment.

**Recommendation:**

The PHA should ensure that all calculations are supported by documentation maintained in the tenant file and that amounts used in calculations agree to the support obtained. The PHA should re-perform calculations to ensure they are accurate and clearly reconcile to supporting documentation retained in the tenant file.

**Correction Action Planned:**

The PHA management and staff recognize and accept the results of this finding. The PHA personnel have corrected and communicated the correction to the resident. The management and staff will increase and improve both its periodic review of tenant files and tenant rent calculations. Contract person is Vena Bertrand, Executive Director with 12/31/13 as the anticipated completion date.



**Housing Authority of the City of Sulphur**  
**Sulphur, Louisiana**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**December 31, 2012**

**Part III: Findings and questioned costs for federal awards which are required to be reported under OMB Circular No. A-133 Section .510(a):**

**2012-1 Test of Resident Files**

**Federal program and specific federal award identification:**

This finding relates to the Section 8 Housing Choice Vouchers, CFDA #14.871, for Federal Award Year 2012 received from the Department of Housing and Urban Development.

**Criteria or specific requirement:**

The PHA must determine income eligibility and calculate the tenant's rent payment using documentation from third-party verification. This rent payment also includes the cost of utilities obtained from the schedule of utility allowances.

**Condition found:**

On one (1) of the forty (40) tenant files sampled, the rental payment calculation contains errors that overstated the tenant's portion of the rental payment.

**Effect:**

The tenant's rent payment was incorrectly calculated and the tenant should have been provided additional benefits when they were legitimately eligible.

**Cause:**

The PHA obtained information from the schedule of utility allowances and incorrectly calculated the cost of utilities to be included in the tenant's rent payment.

**Recommendation:**

The PHA should ensure that all calculations are supported by documentation maintained in the tenant file and that amounts used in calculations agree to the support obtained. The PHA should re-perform calculations to ensure they are accurate and clearly reconcile to supporting documentation retained in the tenant file.

**Correction Action Planned:**

The PHA management and staff recognize and accept the results of this finding. The PHA personnel have corrected and communicated the correction to the resident. The management and staff will increase and improve both its periodic review of tenant files and tenant rent calculations. Contract person is Vena Bertrand, Executive Director with 12/31/13 as the anticipated completion date.

**Housing Authority of the City of Sulphur**  
**Sulphur, Louisiana**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**December 31, 2012**

The status of the audit findings reported for the year ended December 31, 2011, are as follows:

**Findings related to financial statements which are required to be reported in accordance with Governmental Auditing Standards generally accepted in the United States of America:**

Finding No.: 2011-1 Test of Client Files

Condition: It was noted during the review of tenant files to ensure eligibility requirements were met, the PHA calculated the income base for one (1) tenant on net pay, and not gross pay.

Status: See current year finding 2012-1

**Findings and questioned costs for federal awards with are required to be reported under OMB Circular A-133 Section .510(a):**

Finding No.: 2011-1 Test of Client Files

Condition: It was noted during the review of tenant files to ensure eligibility requirements were met, the PHA calculated the income base for one (1) tenant on net pay, and not gross pay.

Status: See current year finding 2012-1